

## South Korea: Outlook rocked by martial law declaration

In a stunning political event overnight, South Korea's president declared martial law for the first time since 1979. Later, the National Assembly voted to block the decree and the cabinet agreed to rescind the order. We see the uncertainty surrounding the economy and politics remaining high and likely to dampen sentiment if the situation persists



### Martial law decreed, then rescinded - what is going on?

In a stunning political event overnight, South Korea's president declared martial law for the first time since 1979. The National Assembly then voted to block the decree and the cabinet agreed to rescind the order.

The government and financial authorities announced that they would provide unlimited liquidity to the market until it returned to normal. Korean financial markets will open as usual and there will be an extraordinary meeting of the Monetary Policy Committee this morning. We think the Bank of Korea will not make any rate decision today but will likely deliver messages that they will continue

to work to stabilize the financial markets. The KRW went up to 1440 overnight but came back down to 1417. We see a high probability of intervention by the authorities.

Martial law itself has been lifted but this incident creates more uncertainty in the political landscape and the economy. Now the opposition party has called on President Yoon to resign, but it is not clear what the president will do. He has cancelled a meeting scheduled for today.

We are concerned that these events could impact South Korea's sovereign credit rating, although this is uncertain at this stage. However, this is a scenario that could happen. At this stage, we do not expect any changes to the ratings themselves as we do not see the situation escalating further. However, the situation is quite fluid, and it is possible that the rating outlook could change.

The impact on the economy will also depend on how the situation evolves from here. In the wake of the last presidential impeachment, consumer and business sentiment took a significant hit and economic activity slowed.

## Author

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.